[From the Washington Times, May 19, 1997]

DEFANGING THE ESTATE TAX VAMPIRE

(By Bruce Bartlett)

There is a growing support on Capitol Hill for abolishing the estate tax, which has been part of the federal tax system since 1916. A number of bills that would do so have been introduced, including H.R. 902 and S. 29, sponsored by Rep. Chris Cox and Sen. Richard Lugar, respectively. Hearings have already been held in both the House Ways and Means Committee and Senate Finance Committee.

One of the strongest arguments for repeal is that the estate tax is disproportionately burdensome relative to the revenue it raises. In no country is the estate tax a significant source of revenue. Even egalitarian Sweden raises just 0.1 percent of its revenue this way. And the average for all members of the Organization for Economic Cooperation and Development, the association of Western industrialized countries, is just 0.4 percent. In the United States, the estate tax raises about 1.1 percent of total revenue, which puts us at the upper end of the list.

With the estate tax raising such a small percentage of revenue, it would not be difficult to find alternative revenue sources that would raise the same amount. For example, taxing capital gains at death would raise as much revenue as the estate tax far more simply and at a lower rate. (Under current law, heirs pay capital gains tax only on the increase from the time of inheritance. Thus the estate itself pays no capital gains tax at all, no matter how much the assets may have appreciated.)

Supporters of repeal often point to Canada and Australia as examples of countries that have abolished their estate taxes in recent years. However, the number of countries with no estate tax is actually much longer. A review of Coopers & Lybrand's latest international tax guide found at least 46 countries with no estate or inheritance taxes. Although some are small countries known for being tax havens, many are not. These include Israel, Mexico, New Zealand and Switzerland, among others.

To be sure, the absence of an estate tax does not mean wealth transfers are entirely free of tax. Canada, Australia and Israel tax capital gains at death. Some countries treat inheritances as ordinary income for tax purposes, while others impose stamp duties and transfers. New Zealand and India tax gifts even though there is no tax on estates. And while Switzerland has no federal estate tax, 25 of the 26 canons (states) impose such a tax. Nevertheless, this review shows that should the United States choose to eliminate its death taxes, we would have a good deal of company.

HEALTHSOURCE SAGINAW: CARING FOR THE COMMUNITY

HON. JAMES A. BARCIA

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 1997

Mr. BARCIA. Mr. Speaker, my colleague [Mr. CAMP] and I, rise today to recognize a facility that serves both of our districts, providing some of the best health care that people can find anywhere: HealthSource Saginaw. This facility has been in operation since 1930, when it was first known as Saginaw Community Hospital, and continues to be a vital provider of ongoing and emergency care in the Saginaw area.

The facility describes its mission as being "to restore persons we serve to meaningful lifestyles by providing select, innovative, efficient services in a coordinated continuum of care." From its Saginaw Township location, it offers behavioral medicine services, rehabilitation services, and subacute and extended care.

Mr. Speaker, an institution is only as good as its personnel, and it is our view that the 512 employees of HealthSource Saginaw are among the best. Their caring attitude conveyed to patients each and every day help this hospital to retain its reputation as a sought-after facility.

As we continue to expect our health care providers to use the best available technology, maintain the highest level of proficiency individually, and hold costs to reasonable levels, we believe that facilities like HealthSource Saginaw merit recognition. We urge all of our colleagues to join us in offering our thanks for, and recognition of, HealthSource Saginaw.

HEALTHSOURCE SAGINAW: CARING FOR THE COMMUNITY

HON. DAVE CAMP

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 1997

Mr. CAMP. Mr. Speaker, we have both worked closely with the leadership of this 319-bed facility on a range of issues vital to the people who depend upon HealthSource for their medical care. Lester Heyboer, the president and CEO of the facility, has done an outstanding job in leading this facility at a time when competition among care givers, including among nonprofit facilities, is intense and challenging. I am particularly supportive of the employees who have contributed so much to the success of the hospital. I am particularly proud of the quality of care provided to all patients and the compassionate and successful treatment of those residing in the psychiatric unit. HealthSource Saginaw's employees are of the highest caliber and deserve to be commended for their work.

NEW LIFE FOR PLANT AND EQUIPMENT LOANS

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 1997

Mr. LAFALCE. Mr. Speaker, today I am introducing legislation to extend the life of the certified development company or 504 loan program. It is this guarantee program, operated by the Small Business Administration [SBA], which provides a major source of capital for small businesses which need long-term financing for plant and equipment purposes.

Mr. Speaker, I am very proud to be able to claim authorship of this program. It is a direct descendent of legislation I introduced and which was enacted into law in 1980.

The development company program matches financing from a private lender for one-half of the project, with the owner providing 10 to 20 percent and private investors providing the balance with a guarantee from SBA.

It clearly is an example of encouraging privatization. During the initial years of the program, the Treasury provided the matching funds. But 1987 legislation changed the source of this portion of the funds from the U.S. Treasury to private investors, with an SBA guarantee. The program has operated superbly since then.

Since Wall Street Investors have become involved, the program has provided $8.5 billion in SBA guarantees to 26,000 small firms.

Private lenders more than doubled the amount of this funding with their share of the project cost.

The result has been tremendous, both for the small firms and also for the Government. This funding has resulted in the creation of more than 338,000 jobs by these small business borrowers, along with the preservation of additional hundreds of thousands of private sector jobs.

Possibly of equal importance to those of us in Congress is that the program has been operating for the past several years at a zero subsidy rate. It pays for itself by user fees; no appropriated funds are needed to pay anticipated losses in the event a loan defaults.

But there is cause for alarm. The user fees paid under this program are sunset September 30. If they are not extended, the program will terminate October 1.

This should not be permitted to happen.

I urge my chairman, JIM TALENT, and his Senate counterpart, CHRISTOPHER BOND, to rectify this immediately and to move the necessary legislation through the legislative process without additonal delay.

My bill is available as the vehicle or can be used as a guideline for the development of other legislation.

The legislation I have introduced provides the requisite extension of user fees for 3 years, although I would hope that we would seek another way to fund the program.

It also provides program authorizations for the same time-frame and makes changes in the authorizing legislation. These changes allow us to take advantage of the expertise which exists in the personnel employed by the certified development companies which deliver and act as loan servicing agents for the SBA in regard to loan approval and liquidation actions.

I believe that we need to expand the services these companies deliver. This will reduce the program cost and hopefully will allow us to reduce user fees reflecting these cost savings.

I urge favorable consideration of my proposal.

A detailed summary of my proposal, the Certified Development Company Enhancement and Improvement Act of 1997, is attached.

SUMMARY OF CERTIFIED DEVELOPMENT COMPANY ENHANCEMENT & IMPROVEMENT ACT

1. AUTHORIZATION LEVELS

The bill would authorize continuation of the certified development company program for three years at the following levels:

1998: $3.0 billion;
1999: $3.5 billion;
2000: $4.5 billion.

For comparison purposes, the 1997 appropriation level is $2.6 billion, although usage is not expected to exceed $2 billion.

2. FEES

1996 legislation increased fees under this program in order to reduce the subsidy rate of the program to zero: